Supreme Court, U.S.
FILED

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OFFICE OF THE CLERK

No._____

In The

SUPREME COURT OF THE UNITED STATES

October Term, 1997

PHONOMETRICS, INC.,

Petitioner,

vs.

TADIRAN ELECTRONIC INDUSTRIES, INC.,

Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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PETITION FOR A WRIT OF CERTIORARI

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21pp

QUESTIONS PRESENTED FOR REVIEW

1. Does the Seventh Amendment to the Constitution guarantee the right to a jury trial of the issue of whether a patent is infringed?

2. Where a jury trial has been demanded, can a district court refer a motion for summary judgment to a special master "to make findings of fact" under Fed. R. Civ. P. 53(e)(1)?

3. Where there is a genuine issue of material fact as to whether a defendant infringes a patent, can a special master report the evidence under Fed. R. Civ. P. 53(e)(3)?

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PETITION FOR A WRIT OF CERTIORARI

Phonometrics, Inc. prays that a writ of certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Federal Circuit on the right to trial by jury on the issue of infringement of a patent.

OPINIONS BELOW

The opinion of the Federal Circuit is at Appendix A, pages A-1 to A-4. The petition for rehearing was denied February 23, 1998 (A-5).

JURISDICTION

This is a patent case brought in the district court under 28 U.S.C. § 1338(a). Appeal to the Federal Circuit was under 28 U.S.C. § 1295(a)(1). The jurisdiction of this Court is under 28 U.S.C. § 1254(1).

STATUTES INVOLVED IN THIS CASE

The Seventh Amendment to the Constitution provides: "In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise reexamined in any Court of the United States, than according to the rules of the common law."

35 U.S.C. § 271(a) provides that "whoever without authority makes, uses, offers to sell or sells any patented invention" infringes a patent.

35 U.S.C. § 282 provides that a "patent shall be presumed valid."

STATEMENT OF THE CASE

Phonometrics sued Tadiran Electronic Industries, Inc. ("Tadiran") for patent infringement and demanded a jury trial. Tadiran filed a motion for summary judgment under Fed. R. Civ. P. 56(b) on the ground that Tadiran did not infringe the patent. The district court referred the matter to a special master with the direction: "The master shall prepare a report upon the matters submitted to the master by the order of reference, and if required to make findings of fact and conclusions of law, the master shall set them forth in the report" (A-6).

The special master conducted no hearing, but held that the accused devices "does not in fact infringe upon plaintiff's system due to the absence of an instantaneous digital display of cumulative call cost in dollars and cents" (A-6).

The district court affirmed the special master's recommendation that the motion be granted, and entered judgment for defendant on non-infringement. Phonometrics argued that a special master cannot decide the fact issue of infringement under Fed. R. Civ. P. 53(e)(3), because "the master shall not be directed to report the evidence," and the report may merely "be read to the jury," which decides the fact of infringement. The district court said the argument is "meritless" (A-5) and the "continued misinterpretation and misapplication of case law and the Federal Rules of Civil Procedure is alarming" (A-6).

The Court of Appeals for the Federal Circuit agreed, saying that the argument that "infringement is a question of fact that is the province of the jury under the Seventh Amendment" is "without merit," because reference of the issue of infringement "does not violate the 7th Amendment" (A-4).

REASONS FOR GRANTING THE WRIT

"[T]here is no dispute that infringement cases today must be tried to a jury, as their predecessors were more than two centuries ago. See, *e.g.*, *Bramah v. Hardcastle*, 1 Carp. P. C. 168 (K. B. 1789)," *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996).

"The two elements of a simple patent case, construing the patent and determining whether infringement occurred, were characterized by the former patent practitioner, Justice Curtis. 'The first is a question of law, to be determined by the court, construing the letters-patent, and the description of the invention and specification of claim annexed to them. The second is a question of fact, to be submitted to a jury'." *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996).

The sole issue that was decided by the special master was infringement, since there was no issue of construction of the patent, which is presumed to be valid under 35 U.S.C. § 282. Deciding that the accused Tadiran devices did not have a "display of call cost in dollars and cents" (A-6) is to decide the infringement issue by the special master, not the jury. Obviously, it is a genuine issue of material fact, since the special master found it dispositive of the entire case.

However, a special master cannot determine the issue of infringement in a jury case. He can only "assist the jury in those exceptional cases where the legal issues are too complicated for the jury to handle alone" *Dairy Queen v. Wood*, 369 U.S. 469, 478 (1962). Directing the special master to make findings of fact, as the district court directed here, is not helping the jury with the legal issues. When the special master held, as a matter of fact, that the accused devices did not have the patented display, he usurped the function of the jury, and denied Phonometrics a Constitutional right. The issue of whether the accused devices had an instantaneous display was genuinely in dispute. The special master ignored the testimony of plaintiff's expert that the

Tadiran telephones had an instantaneous display on the printer, on a computer screen, or on a Liquid Crystal Display screen (A-8). The special master decided, without authority, the issue of whether Tadiran has a display. The jury should decide this material fact of infringement.

The district court held that the special master "has determined that there is no genuine issue of material fact present in this case" (A-6). In a jury case, a special master may *not* "make findings of fact" under Fed. R. Civ. P. 53(e)(1). It is error to direct the special master "to report the evidence" in a jury case. Fed. R. Civ. P. 53(e)(3). The Federal Circuit likewise held that the "special master determined, among other things, that the alleged infringing PBXs did not have the call cost register means" (A-2). It is error to accept the finding of noninfringement by the special master in a jury case, because it is an issue of fact, not law. It is error for the Court of Appeals to hold that "as a matter of law, the Tadiran PBXs did not infringe the '453 patent" (A-3), because infringement is a matter of fact, not law.

The Federal Circuit apparently assumed that a district court has discretion to waive the right to trial by jury and grant trial by special master. "We rule that the district court did not abuse its discretion in denying as moot" the request by Phonometrics for construction of the patent, "in light of its grant of summary judgment of noninfringement" (A-3). However, the "right of trial by jury as declared by the Seventh Amendment to the Constitution or as given by a statute of the United States shall be preserved inviolate" Fed. R. Civ. P. 38(a). There is no discretion in denying the right to a jury trial on the issue of infringement, unless no jury could possibly find infringement, and it would be a waste of time to convene a jury on the issue. No one has said that the issue of infringement is so clear that no jury could find that Tadiran devices have a display of call cost in dollars and cents. Accordingly, there is no discretion to take away the issue of patent infringement, a fact, from the jury.

The Federal Circuit again referred to the abuse of discretion standard at the end of the opinion below: "Phonometrics has not shown this court that the special master abused his discretion in preparing his report" (A-4). Apparently, the Federal Circuit believes that a special master has discretion to find facts in his Report under Rule 53(e)(1), even in jury actions, where the master shall not "report the evidence" under Rule 53(e)(3). Here, the special master found it "clear that defendant's allegedly infringing system does not *in fact* infringe upon plaintiff's system" (A-6, emphasis added).

The Federal Rules of Civil Procedure are not discretionary with the special master or the district court. The Constitutional right cannot be reduced to a discretionary grant from a special master. Rule 38(a) does not say that the right to jury trial of the fact issue of patent infringement is inviolate, except when a special master, in his discretion, does not want a jury trial.

The issue of construction of the patent was never raised. Phonometrics sought to have the construction issue determined by filing a cross-motion for summary judgment "that the '463 patent is not invalid," but that motion was denied as "moot" (A-2). Accordingly, construction of the patent was not an issue decided by either the district court or the Federal Circuit.

Infringement is an issue of fact in each case, and there can be no issue preclusion simply because a different device, in a prior case, does not infringe the patent. *Young Engineers, Inc. v. U.S. Int'l Trade Comm.*, 721 F. 2d 1305, 1316 (Fed. Cir. 1983); *Del Mar Avionics, Inc. v. Quinton Instrument Co.*, 836 F. 2d 1320, 1324 (Fed. Cir. 1987). In the prior case of *Phonometrics, Inc. v. Northern Telecom, Inc.*, (Fed. Cir. No. 96-1469, decided January 15, 1998), also the subject of a Petition for Certiorari on the issue of the right to a jury trial, the district court held that the Northern Telecom devices simply did not have the call cost accounting capability, because the equipment was incapable of providing it. The Federal Circuit affirmed. However, whether or not Northern Telecom sells infringing products cannot bar a determination of

whether Tadiran sells infringing products. A finding that one device infringes does not govern the issue of whether a different device infringes.

However, the Federal Circuit in this case affirmed the holding that Tadiran did not infringe "[b]ased on the holding in Northern Telecom" (A-2). It again relied upon its own finding of non-infringement in the prior case twice at A-3: "As in Northern Telecom, there is no genuine dispute of material fact in this case." "As in Northern Telecom, there was also no infringement under the doctrine of equivalents" (*id.*). It is irrelevant whether Northern Telecom infringes the patent, either under literal infringement or the Doctrine of Equivalents. The inquiry as to the Tadiran devices has to be independent of the inquiry as to the Northern Telecom devices, unless they are shown to be the same. The patent is not on the Northern Telecom devices, so similarities to, or differences from, those devices serves no useful purpose in the analysis of infringement.

In every case, the issue of infringement "is a question of fact, to be submitted to a jury" *Markman v. Westview Instruments, Inc.*, 517, U.S. 370 (1996). It is error to decide that the Tadiran devices do not infringe merely because the Northern Telecom devices do not infringe. It is also error to submit all of the Phonometrics patent cases to a special master. "A reference to a master shall be the exception and not the rule" Fed. R. Civ. P. 53(b). The rule in Phonometrics cases is to send every one to a special master.

CONCLUSION

The issue of infringement of a patent is a fact issue for the jury to decide, not a special master, not a district court judge, and not the court of appeals. The case should be remanded to the district court for trial by jury of the infringement question.

Respectfully submitted,

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APPENDIX A

United States Court of Appeals
for the Federal Circuit

96-1549

PHONOMETRICS, INC.,

Plaintiff-Appellant,

v.

TADIRAN ELECTRONIC INDUSTRIES, INC.,

Defendants-Appellees.

DECIDED: January 27, 1998

Before MICHEL, CLEVENGER, and BRYSON, Circuit Judges.
MICHEL, Circuit Judge.

CLEVENGER, Circuit Judge.

Phonometrics, Inc. (Phonometrics) appeals the summary judgment of the United States District Court for the Southern District of Florida that Tadiran Electronics Industries, Inc. (Tadiran) does not infringe Phonometrics' U.S. Patent 3,769,463

(the '463 patent), and the final order denying as moot Phonometrics' motion that the '463 patent is not invalid. Phonometrics, Inc. v. Tadiran Elec. Indus., Inc., No. 94-CV-

7107 (S.D. Fla. Aug. 29, 1996). Phonometrics has appealed two companion cases that involve the '463 patent, and for one of these appeals, this court has issued a precedential opinion. Phonometrics, Inc. v. Northern Telecom Inc., No. 96-1469 (Fed. Cir. Jan. 16, 1998). Based on the holding in Northern Telecom, which construed the claim limitation in dispute here, we affirm.

Northern Telecom introduced the technology at issue here, described the litigation that Phonometrics has pursued under the '463 patent, and presented claim 1 of the patent. See slip op. at 2-6. In this suit, Phonometrics alleged that Private Branch Exchanges (PBXs) that Tadiran sold between November 17, 1988, six years before Phonometrics filed its complaint, and October 30, 1990, the date on which the '463 patent expired, infringed claim 1 of the patent. Tadiran moved for summary judgment of noninfringement, and the district court referred the motion to a special master. The special master determined, among other things, that the alleged infringing PBXs did not have the call register means of claim 1 or its equivalent, and he accordingly recommended that the Tadiran PBXs did not infringe, as a matter of law, the '463 patent either literally or under the doctrine of equivalents. The district court adopted the special master's report and granted summary judgment of noninfringement. In addition, the district court denied as moot Phonometrics motion for summary judgment that the patent is not invalid.

Northern Telecom presented our standard of review for a summary judgment of noninfringement. See id. at 6-8. Northern Telecom also construed the claim limitation that is at issue here: "We hold that claim 1 of the '463 patent requires a call cost register means which function both to provide accurate call cost information while the call progresses as well as total cost information once the call has ended." Id. at 16 (emphasis added).

As in Northern Telecom, there is no genuine dispute of material fact in this case. See id. at 8. The special master determined that the Tadiran PBXs did not calculate call cost until after the call ends. The expert witnesses for both Tadiran and Phonometrics testified to the veracity of this finding. This undisputed fact decides the infringement issue. Because the Tadiran PBXs were unable to calculate the cost of a call until after the call ends, they did not have the call cost register means of claim 1, which requires that the call cost information be provided while the call progresses. Hence, there was no literal infringement. As in Northern Telecom, there was also no infringement under the doctrine of equivalents, because the function of providing call cost during a call, which claim 1 requires, was "completely absent" from the Tadiran PBXs. Id. at 16. Hence, as a matter of law, the Tadiran PBXs did not infringe the '463 patent, and we consequently affirm the district court's summary judgment of noninfringement.

There are two issues remaining on appeal. The first was addressed in Northern Telecom, and we decide it in like fashion. We rule that the district court did not abuse its discretion in denying as moot Phonometrics' motion for summary judgment that the patent is not invalid. See id. at 18-19 (affirming the district court's dismissal of Northern Telecom's counterclaim of invalidity and unenforceability in light of its grant of summary judgment of noninfringement).

Second, Phonometrics contends that the district court erred in referring the summary judgment motion of noninfringement to a special master, for according to

Phonometrics, infringement is a question of fact that is the province of the jury under the Seventh Amendment. Phonometrics argument is without merit. Constant v. Advanced Micro-Devices, Inc., 848 F. 2d 1560 (Fed. Cir. 1988), teaches the contrary, for "[r]eference of issues to a master, even compulsory reference, does not violate the 7th Amendment right to a trial by jury." Id. at 1556. Because Phonometrics was unable to raise a genuine dispute of material fact, "summary judgment does not violate the 7th Amendment." Id. at 1567. In addition, Phonometrics's objections to the procedures of the special master fail, because Phonometrics has not shown this court that the special master abused his discretion in preparing his report.

APPENDIX B

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

Case No. 94-7108-CIV-RYSKAMP

PHONOMETRICS,

Plaintiff,

vs.

TADIRAN ELECTRONIC INDUSTRIES, INC.,

Defendant.

CLOSED CASE

Filed by _____D.C.
AUG 29 1996
CARLOS JUENKE
CLERK U.S. DIST. CT.
S.D. OF FLA. - W.P.B.

ORDER AFFIRMING MAGISTRATE'S REPORT AND RECOMMENDATION

AND GRANTING FINAL SUMMARY JUDGMENT IN FAVOR OF DEFENDANT

THIS CAUSE came before the Court upon the Report and Recommendation of Special master James M. Wetzel, Esquire. The Special Master has submitted a Report and Recommendation, filed July 23, 1996, recommending that defendant's Motion for Summary Judgment (DE 25) filed December 21, 1995, be granted. Plaintiff filed objections to the Report and Recommendation on August 5, 1996. Defendant filed a response to plaintiff's objections on August 12, 1996.

Plaintiff again asserts a meritless argument to the Court concerning the Special master's scope of authority under Fed. R. Civ. P. 53, which the Court has responded to in prior Orders.

Plaintiff's continued misinterpretation and misapplication of case law and the Federal Rules of Civil procedure is alarming. **"The master shall prepare a report upon the matters submitted to the master by the order of reference, and if required to make findings of fact and conclusions of law, the master shall set them forth in the report."** Fed. R. Civ. P. 53(e)(1). Here, the Court has referred defendant's Motion for Summary Judgment to the Special master. Apparently, it has escaped plaintiff that this requires the Special Master to report to the Court whether there are any genuine issues of material fact to be determined prior to the Court's judgment on issues of law. Based upon a review of the record. the Special Master has determined that there is no genuine issue of material fact present in this case. That is, the Special Master has reported that from the record it is clear that defendant's allegedly infringing system does not in fact infringe upon plaintiff's system due to the absence of an instantaneous digital display of cumulative call cost in dollars and cents. Plaintiff does not and cannot point to any evidence in the record to the contrary, instead plaintiff merely asserts that defendant's system does contain an instantaneous display of cumulative call costs.

It is well established that the non-moving party must bring forth more than its own allegations of a genuine issue of material fact and more than a mere scintilla of evidence or an abstract theory to survive a motion for summary judgment. *McLaughlin v. City of LaGrange*, 662 F. 2d 1385 (11th Cir. 1981) (emphasis added). "The mere existence of *some* alleged factual dispute between the parties will not defeat an otherwise properly supported motion for summary judgment; the requirement is that there be no *genuine* issue of material fact." *Anderson v. Liberty Lobby, Inc.*. 477 U.S. 242. 247-48, 106 S. Ct. 2505, 2510. Plaintiff has not even produced a "mere scintilla of evidence" to refute the findings of the Special master.

The Court has reviewed the entire file and record herein, and being fully advised in the premises, it is ORDERED AND ADJUDGED that the Report and Recommendation of Special master James M. Wetzel be, and the same is, hereby **RATIFIED,**

AFFIRMED and APPROVED in its entirety. The Report and Recommendation is adopted by this Court in full, and thus

1) defendant's Motion for Summary Judgment (DE 25) is hereby **GRANTED**;

2) plaintiff's Motion for Summary Judgment that the Patent is not invalid (DE 50), is **denied** as moot.

The Clerk of the Court shall Close this case and DENY all pending Motions as moot.

DONE AND ORDERED in Chambers at West Palm Beach, Florida, this 29 day of August, 1995.

KENNETH L. RYSKAMP
UNITED STATES DISTRICT JUDGE

APPENDIX C

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

Special Master James M. Wetzel
Case No. 94-7108-CIV-RYSKAMP

PHONOMETRICS, INC.
A Florida Corporation,

Plaintiff,

v.

TADIRAN ELECTRONIC INDUSTRIES, INC.,
a Delaware Corporation,

Defendant.
_____)

PRELIMINARY REPORT OF PLAINTIFF'S EXPERT KENNETH H. CASNER

I, Kenneth H. Casner, declare as follows:

[matter omitted]

35. The cost of the call is then either printed by a printer linked to the call cost computer, displayed on a computer screen, or displayed on the Liquid Crystal Display screen on the enhanced electronic key telephones (EKT) of Tadiran, and is, thus, instantaneously available to the user.

[matter omitted]

APPENDIX D

ORDER

Before MICHEL, Circuit Judge, CLEVENGER, Circuit Judge, and BRYSON, Circuit Judge.

A petition for rehearing having been filed by the APPELLANT,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED.

The mandate of the court will issue on March 2, 1998.

FOR THE COURT,
JAN HORBALY, CLERK

Dated: February 23, 1998

By_____
Alex Van Veen, Staff Law Clerk

cc: JOHN P. SUTTON
JOHN R. BUSH

FILED
U.S. COURT OF APPEALS FOR
THE FEDERAL CIRCUIT
FEB 23 1998

PHONOMETRICS, INC. V
TADIRAN ELEC IND, 96-1549
(DCT - 94-CV-7108)

JAN HORBALY, CLERK

APPENDIX E

United States Court of Appeals for the Federal Circuit
96-1549

PHONOMETRICS, INC.,

Plaintiff-Appellant,

v.

TADIRAN ELECTRONIC INDUSTRIES, INC.,

Defendant-Appellee.

Judgment

ON APPEAL from the UNITED STATES DISTRICT COURT SOUTHERN DISTRICT OF FLORIDA

in CASE NO(S). 94-CV-7108

This CAUSE having been heard and considered, it is ORDERED and ADJUDGED:

AFFIRMED

ENTERED BY ORDER OF THE COURT

DATED January 27, 1998

"s_____".
Jan Horbaly, Clerk

ISSUED AS MANDATE: MARCH 2, 1998